



STATE OF DELAWARE

PUBLIC SERVICE COMMISSION
861 SILVER LAKE BLVD.
CANNON BUILDING, SUITE 100
DOVER, DELAWARE 19904


TELEPHONE:
FAX:

(302) 736-7500
(302) 739-4849

November 1, 2016

STAFF MEMORANDUM

TO: The Chairman and Members of the Commission

FROM: Toni Loper, Public Utility Analyst II 

SUBJECT: IN THE MATTER OF THE APPLICATION OF WEST TELECOM SERVICES, LLC FOR APPROVAL TO PARTICIPATE IN A FINANCING ARRANGEMENT (FILED OCTOBER 4, 2016) PSC DOCKET NO. 16-0972

Application:

On October 4, 2016 West Telecom Services, LLC ("West Telecom" or "Applicant") filed an application with the Delaware Public Service Commission ("Commission" or "PSC") seeking authorization to participate in certain financing arrangements with its parent, West Corporation ("West").

Applicant:

West Telecom Services, LLC, f/k/a Hypercube Telecom, LLC, f/k/a KMC Data, LLC is a Delaware limited liability company, and is an indirect wholly-owned subsidiary of West. The principal office is located at 3200 W. Pleasant Run Road, Suite 300, Lancaster, Texas. West Telecom was granted a Certificate of Public Convenience ("CPCN") to provide local and competitive telecommunications services within the state of Delaware on August 22, 2011, in PSC Docket No. 01-225, Order No. 5786.¹

Transaction:

The Applicant requests approval to participate in a financing arrangement between West Telecom and its parent West. West is subject to an amended and restated credit agreement ("Credit Agreement") entered into in October 2010, in which several West subsidiaries, including West Telecom, agreed to execute certain documents to secure and guarantee the Credit Agreement.² The parties entered into Amendment No. 7 to the Credit Agreement (the "Amended Agreement") on June 17, 2016.

¹ The original CPCN was granted to KMC Data, LLC. KMC Data, LLC was granted a name change to Hypercube Telecom, LLC in PSC Docket No. 15-1530.

² The Amended and Restated Credit Agreement was also entered into by other domestic subsidiaries of West, Wells Fargo, N.A., and various other lenders.

The Amended Agreement refinances prior indebtedness and provided extended credit facilities. Additionally, the terms of the Amended Agreement set forth that West will obtain the commitment of certain West subsidiaries, including West Telecom, to execute documents to secure and guarantee the Amended Agreement.

In a second transaction, West is subject to indenture of \$400,000,000 aggregate principal amount bearing an interest amount of 5.375 % Senior Notes due in July 2022 ("2022 Senior Notes"), and under the terms of the indebtedness West Telecom would be one of several guarantors of the indebtedness. Additionally, West is subject to indenture dated July 17, 2016, of \$400,000,000 aggregate principal bearing interest of 4.75% Senior Notes due July 15, 2021 ("2021 Notes"), and under the terms of the indebtedness West Telecom would be one of several guarantors of the indebtedness.

The Applicant asserts in its Application that these security interests and guarantees are common commitments in corporations such as West that will permit the West and its subsidiaries, including West Telecom, to leverage their borrowing capacity to obtain better financing terms and conditions that would not be available to them if the terms were negotiated independently.

Public Interest:

The Applicant asserts that the public interest will be served. The transactions will allow the Applicant to access debt at more favorable terms and conditions and allow West Telecom to grow and compete better in the highly competitive Delaware market. The Applicant asserts these transactions will yield both financial and operational benefits that will benefit Delaware customers, will not result in a change to West Telecoms management or day-to-day operations. Furthermore, the transaction is expected to be transparent to customers, and is not expected to affect current operations of the Applicant, nor adversely affect competition for telecommunications service in Delaware. In addition, the Applicant has shown that the financing arrangements are for proper purpose, and are seeking the approvals of the regulatory authorities which are necessary for the financing to demonstrate that it is in accordance with the law.

Staff Recommendation:

Applications seeking financing approval by large multi-state resellers of competitive intrastate telecommunications services technically come under the provisions of 26 Del. C. §215 because the companies are deemed to be public utilities. The Applicant has represented that the financing proposal is in accordance with law, for a proper purpose, and consistent with the public interest. The Commission has previously allowed such applications to become effective by statutory approval without Commission action. The result seems appropriate under the circumstances. Staff, therefore, recommends that the Commission not act on this application. Under 26 Del. C. §215(a)(1) and (a)(3), the effect will be that the application is deemed to be approved by the Commission. Staff will also acquire verification from the Applicant that the proposed transaction and financing arrangements have been completed.